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## ABSTRACT

The ways that selected companies are managing and structuring their responses to the needs of higher education for financial support and cooperative programs are described. According to General Foods Corporation Chairman James L. Ferguson, the academic world faces the problem of maintaining its standards in light of the decrease of federal funding, the declining number of 18-year-olds, and the diminishing of incentives for people to give to philanthropic causes because of lowered federal tax rates. The new responsibilities of business in philanthropy in view of these developments are addressed. PepsiCo executive Victor A. Bonomo suggests that corporate giving to education is not an obligation but an opportunity to invest in people who will shape the company's future. The company identified target areas for giving, including finding qualified minority candidates for management jobs and preserving the free enterprise system. IBM President John R. Opel indicates that IBM gives priority in its giving to leading graduate centers of research and teaching, and has recently begun a program of grants to outstanding science and engineering departments to encourage risk-taking and imagination. According to Reader's Digest Foundation Chairman Kent Rhodes, the Digest Philanthropy is not merely a response to appeals for contributing but an effort to work with institutions to create programs that will further the company's goals, and some programs are closely monitored by company top management. The role of small companies is considered by Sidney P. Mudd of Westchester County Association and Joyce Beverages, Inc. (SW)

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# The New Corporate Stake In Higher Education

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Remarks at a Luncheon Seminar sponsored by the  
Council for Financial Aid to Education, Inc. (CFAE)  
and the Westchester County Association  
White Plains, New York September 28, 1981

**The Council for Financial Aid to Education (CFAE)**, a nonprofit service organization, promotes increased voluntary support of higher education by all sources, but especially by the corporate community.

CFAE was founded in 1952 by five prominent business leaders, the chairmen of United States Steel, General Motors, Exxon, Container Corporation and Armstrong Cork. The chairmen were Irving S. Olds, Alfred P. Sloan, Jr., Frank W. Abrams, Walter P. Paepcke and Henning W. Prentis.

CFAE staff members call personally upon hundreds of top-echelon business executives every year to explain the financial needs of higher education and to enlist corporate support in meeting them. CFAE also conducts seminars and offers counseling services for corporate and college administrators. It publishes an annual report on voluntary support received by colleges and universities, an annual report on corporate support of higher education, special studies in fields related to educational philanthropy, "how to" manuals and other materials designed to broaden the base of educational support.

CFAE sponsors the nationwide public-service advertising campaign, "Give to the college of your choice," through the Advertising Council. This campaign has elicited as much as \$34 million worth of free time and space from the media in a single year.

CFAE itself neither solicits nor disburses funds for higher education. Originally funded by four major foundations—the Carnegie Corporation of New York, the Ford Foundation, the Rockefeller Foundation and the Alfred P. Sloan Foundation—CFAE now draws its support from more than 400 leading American corporations.

November 1981

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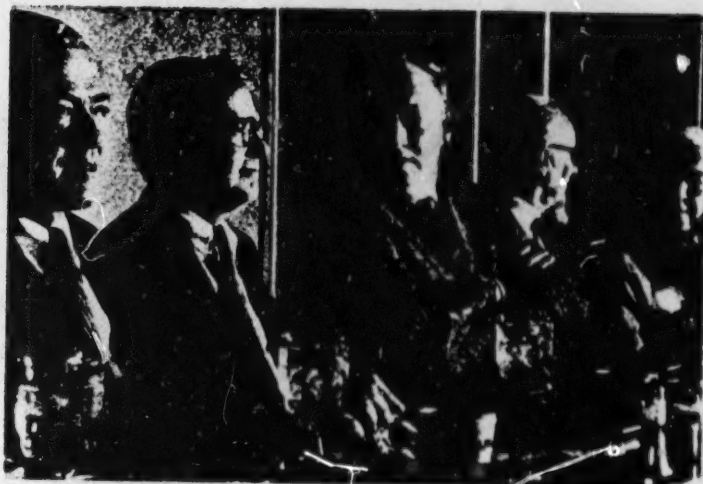
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*James L. Ferguson, chairman and chief executive officer of General Foods Corporation, a CFAE director and host of the luncheon, center, checks a point with John R. Opel, president and CEO of IBM and a CFAE director, on his right. Other panelists were, at far left, Victor A. Bonemo, executive vice president, PepsiCo; Kent Rhodes, chairman of Reader's Digest Foundation, fourth from left; and Sidney P. Mudd, president, Joyce Beverages, far right.*

# The New Responsibilities of Business

by James L. Fergusson, *Chairman and Chief Executive Officer*  
*General Foods Corporation*

Good afternoon. Welcome to our luncheon seminar on the new corporate stake in higher education.

The reason we've invited you, as Westchester business leaders, to join us today, is that we've come to a crucial turning point for higher education in this country. It's also a moment of opportunity for business to regain some of the public support it's lost in recent years. We want to enlist your help in making sure that business seizes this opportunity, and in doing so, helps assure the course of higher education in the years to come.

Some of you were at the lunch we held several years ago, in which we asked you to focus the attention of your companies more sharply on the needs of higher education in America. This meeting is a follow-up to that.

At that luncheon, we spoke of our system of higher education as the nation's most precious resource. We pointed out that years of underfunding were threatening to erode the quality and independence of our colleges and universities. Corporate giving is substantial — it has multiplied over 20 times in the past 30 years to more than \$1 billion this year. But it is still minor in relation to the needs, and there is room for improvement. The situation is more urgent than ever.

## **We Must Do More**

So, today, we are going to ask you to do more. We're asking you, as senior executives of some of the leading companies in this area, to take another look at your company's programs for aiding our colleges and universities, both here in Westchester and throughout America.

Such a request could not be more timely. Because of the impending federal aid cutbacks, the next five years will be crucial for the future of higher education. What happens in these critical years will affect the welfare of both the academic and the corporate worlds.

The academic world faces the problem of maintaining its standards in light of three external developments. One is the decrease in

federal funding. Another is the declining number of 18-year-olds in our population. And the third is the diminishing of incentives for people to give to philanthropic causes, as a result of lowered federal tax rates.

At the same time, these developments present the business community with major challenges.

The first is to make sure that our colleges and universities can continue to benefit society by expanding man's knowledge and by training society's future leaders. Private enterprise needs both.

### **Reagan Has Raised Expectations**

Second, business must respond to the public's raised expectations that it will make up for at least some of that lost federal funding. For years, business leaders have been telling the public that, if only government would get off our backs, we could do a lot of things better than government.

Well, the people have taken us at our word. They've backed the Reagan program. Not only its tax cuts for business, but also its increase in the annual limitation on a corporation's charitable deductions. That's been raised from 5 to 10 percent of taxable income. So they've given us more elbow room, but they've also handed us more responsibility.

They've said to us, in effect, "O.K. We realize government cannot do it all. Here are the current needs. Show us what business can do."

It's a moment of supreme opportunity for us — one that might not come again if we don't measure up.

The moment calls for more than business's traditional, reactive philanthropy. It calls for us to create plans — positive, active programs for our companies' philanthropic efforts, including those on behalf of higher education. Plans that will achieve specific objectives, just as we would formulate programs to achieve specific business objectives.

The time is past when business could ask, "What requests for support came in today?" and let it go at that — first come, first served. Today, the need is so pressing that we must ask ourselves, "How can we coordinate our giving? How can we make our philanthropic dollars as productive and effective as possible? How can we maximize their impact and leverage them against other dollars available to meet society's needs, including those of higher education?"

Obviously, the answers will be different for each company.

### **Giving Must Have a Goal**

But the important point is that we elevate the status of our corporate philanthropy from a simple response for aid to an active program — aimed at a specific accomplishment.

I expect that many of you have already given this subject your attention. For example, in my own company, we've recently reassessed

our contributions programs. As a result, over the next five years, General Foods is going to more than double the percent of pretax profits we allocate for philanthropy.

The speakers we have with us today will tell you what they've done at their companies, and I hope you find their comments timely and helpful.

In closing, I'd like to make one final point: Earlier, I said this was a time of supreme opportunity for business. I'd like to point out that there were many people who never thought that moment would come again.

Now that it has, we in business shoulder an especially heavy responsibility to show *all* our citizens — including the many who continue to harbor doubts — that the free enterprise system *can*, and *will*, be a major force in finding the answers that our country needs to return to its proud heritage of growth.

I know all of us will be part of that effort.

## Corporate Giving to Education: Obligation or Opportunity?

by Victor A. Bonomo, *Executive Vice President*  
*PepsiCo, Inc.*

PepsiCo pushes its managers hard to achieve superior performance. We measure performance in terms of profits.

So philanthropy is not something that we come by naturally.

And yet we have a program of corporate giving — a program that competes for resources that might be allocated to plant expansion or increased advertising or enhancing the bottom line.

Why do we give? Simply because we have decided that appropriate philanthropy is an investment in our environment — an investment that will allow us to earn profits for our shareholders well beyond the tenure of our current top management.

We believe that corporate giving to education is not an obligation. Rather, it's an opportunity to invest in the men and women who will shape our company's future. Today, this philosophy represents a cornerstone of our contributions strategy.

How did we formulate our present strategy, and how are we implementing it? These are the issues that Jim Ferguson and the Council for Financial Aid to Education have asked me to address today.

### No More "Shotgun" Giving

About two years ago, PepsiCo's management reassessed what we were doing in the field of corporate philanthropy.

For years we had politely responded to requests for funding. Our contributions program exemplified what Jim Ferguson referred to as "business's traditional reactive philanthropy." This pattern of giving reflected a shotgun approach of making numerous grants of relatively modest sums to a wide variety of nonprofit organizations.

Who got the money was largely determined by who got there first, and who made the loudest noise.

Recognizing the value of corporate giving in improving the environment in which our business operates, our management team decided that we needed to strengthen our contributions program. In the interest of optimizing the impact of increased dollars, we opted for a strategy of *targeting* our giving.

That decision represented a radical departure from the shotgun approach of the past. Our next step was to establish our priorities.

How did we go about this?

Our chairman asked a few of our top managers, including presidents of operating divisions, to serve on the PepsiCo Foundation Board. Their role was to establish policy and strategy for our contributions program.

So our management team rolled up their sleeves and reviewed the options, seeking to identify those areas where the company had a major interest.

### **Three Major Interests Identified**

In the field of education, we identified three such areas.

First, we obviously need good, well-trained people. Therefore, we have a vested interest in supporting those colleges and universities that prepare our employees of tomorrow.

Second, a problem common to many of our businesses is finding qualified minority candidates for management jobs. This leads to an interest in supporting programs that expand the size and quality of the minority management pool.

Third, we have a stake in preserving the free enterprise system under which we operate. I suspect that no one in this room would dispute the fact that there are many dangerous misconceptions abroad about the way in which this system works. Hence, we have a vested interest in promoting balanced economic education.

Those are our three major interests in the field of supporting education. They seem obvious in retrospect, but they didn't surface by accident. Our management team did a lot of soul-searching to uncover and define these priorities in education, as well as in our other targeted areas — health and the arts.

Having defined our major investment in higher education, how did we target our giving program in these areas?

Let me give you just one example.

### **Employees' "Profile" Key to Grants**

Our first step was to analyze the educational profile of our employee base to determine from what colleges, universities and graduate schools we were getting our people. During the first year of our new program, we focused our attention on graduate schools of business, and, having done the profile analysis, we were able to identify the top ten such schools supplying PepsiCo personnel.

We then looked to see where we had PepsiCo employees active on boards of trustees or advisory councils. We felt that participation of our people would increase the impact of any contribution dollars. In this way we identified five schools with which we initiated discussions for the development of programs.

As a result, we are now funding several fellowships at the Wharton School of Business to free up associate professors to do research in marketing, and the president of our Pepsi-Cola Division is heading up a committee to study Wharton's curriculum.

At the Columbia Business School, our vice president of personnel joined an advisory council of their Center for Research in Career Development. Both the school and our vice president have benefited from this association.

At Stanford, a senior executive of our Frito-Lay Division has become active in fund raising, and we are helping him by supporting a series of fellowships.

After focusing our initial attention on graduate business schools, we are studying our recruitment needs on the undergraduate level. Our programs will evolve according to what these studies indicate.

### **Three Things to Do**

Our new "targeting" strategy has enabled us to feel a lot better about our contributions program because it now reflects our needs and interests. No longer is our giving "a simple response for aid," to use Jim Ferguson's words; rather, it is an "active program — aimed at specific targets."

Therefore, I urge those of you who are developing or reappraising a corporate contributions program to do three things:

First, think long and hard about why you want a contributions program in the first place;

Second, analyze where your company has specific interests; and

Third, *initiate* programs with organizations rather than sitting back and waiting for the right proposal to come to you.

## Giving Contributes to Our Success

by John R. Opel, *President and Chief Executive Officer*  
*International Business Machines Corporation*

My company contributes not only to education, but to a variety of cultural, civic, health and welfare organizations all around the world.

IBM does this because — to put it very directly — we believe it is in our enlightened self-interest to do so. This is especially true in the field of education, which received roughly half of all our contributions in the U.S. last year.

There is a good reason why. By its very nature, our business depends heavily on college-trained people. Over 65 percent of IBM employees have two years or more of college education. Last year, we hired about 2,600 college graduates. In the first seven months of this year, we hired 4,000, and we expect to hire an additional 900 or so before the end of the year.

### **Contributions Match Corporate Needs**

This reliance on educated people has caused us to concentrate our educational contributions in academic areas where there is a close match between our company's interests and those of higher education.

For instance, about a third of our educational contributions in 1980 went to science and engineering. Nearly a fourth went to economics, management and business education, and the rest went into other programs, including one to "double-match" our employees' contributions to colleges and universities of their choice. I urge you to consider this last program; it is one of the best ways we know of matching the employees' interests with the company's.

Contained in this overall support picture are special programs for minority and women students, generally in the areas of business, science and engineering, that account for about 20 percent of our educational contributions.

In deciding where to put its money, IBM deliberately gives priority to leading graduate centers of research and teaching.

And here, again, we follow this policy because we believe it benefits both giver and receiver. It enhances the availability of highly qualified students in those disciplines important to our business. And it helps colleges and universities educate these students, develop new programs and retain high-quality faculty.

There are other specific programs through which IBM contributes to education.

#### **Risk-Taking Encouraged**

For instance, to strengthen academic research in the U.S., we recently began a program of grants to departmental centers of excellence in science and engineering at both private and public universities. Their purpose is to encourage risk-taking and imagination. This might include initiating new research projects, or acquiring new capital equipment, or developing new courses. In other words, pioneering efforts in science and engineering.

We also make grants to leading graduate schools of business to help develop new courses, curricula and faculty in the increasingly important area of Management Information Systems.

The gap between supply and demand for graduates in this area is approaching crisis proportions. While support for Management Information Systems is of special importance to companies such as ours, we know these graduates fill a genuine need in both the public and private sectors.

Some of our grant programs are designed to strengthen departments of science, engineering and business at predominantly black universities. We also support programs to help increase minority enrollment — and retention — in those subjects at over 50 other universities.

And through a faculty loan program, IBM people are given paid leaves to teach at educational institutions with high enrollments of black, Hispanic, American Indian, handicapped or disadvantaged students.

In funding all of these programs, our aim is to support quality education in academic areas of importance to our company.

To sum up, we regard our educational contributions as an investment for IBM. The return on this kind of investment is often difficult to quantify, but the bottom line is the same as that for any business venture — it contributes to our success. I believe the same is true for any business, large or small.

## Better Uses for Money

by Kent Rhodes, Chairman  
Reader's Digest Foundation

In a rare interview, DeWitt Wallace, founder of *The Reader's Digest*, once said candidly, "My wife and I discovered long ago that there are better uses for money than the accumulation of it." Today I want to talk briefly about some of those "better uses," and how Mr. Wallace's vision shaped the Digest's philanthropic philosophy.

Most importantly, it is one of the reasons why the Reader's Digest has been among the few companies that take full advantage of the IRS ruling that a company may make charitable contributions totaling up to 5 percent of its taxable income and pay taxes only on the remaining 95 percent. Under the new tax law, that 5 percent has been raised to 10 percent.

The Reader's Digest Association makes a good portion of its gifts to the Reader's Digest Foundation, so that even though the Digest's profits may fluctuate from one year to the next, the foundation can continue to give generously to institutions we care deeply about. Thus we can sustain levels of support for important philanthropic programs even during economic downturns.

### How Mr. Wallace Saw Philanthropy

Mr. Wallace knew that the Digest's customers — its readers and its advertisers — were scattered across the nation. So his philanthropy often was aimed at benefiting the nation as a whole. He was also very much interested in the education and development of young people, so in the past ten years, the foundation has established endowments for scholarship aid at over 150 liberal arts colleges. We have created special programs for college students. And to help prepare young people for college, we have unique programs with other organizations.

For years the foundation has also made sizable grants to the Council for Financial Aid to Education to help make possible the publication of *Voluntary Support of Education*, which annually reports on the voluntary support received by the nation's colleges

and universities and is much used by them as a measure of their success in fund raising.

Mr. Wallace cared deeply about minorities, and that concern is reflected in our foundation's support of Meharry College, which graduates this country's largest number of black physicians, and the United Negro College Fund, which succeeds so well in helping black students to get to, and remain in, college. And every year we make major grants to the Urban League and the NAACP.

Mr. Wallace was deeply patriotic, and concerned about America's image overseas. Twenty years ago the foundation provided almost all the money needed to launch the World Press Institute, a unique program for bringing foreign journalists to this country for an intensive year of study, work and travel. Today some two dozen other major corporations and foundations have joined us in supporting this program. Nearly 300 foreign journalists have spent a year here and returned to their own countries with greater understanding and, one hopes, appreciation of this country.

#### **Creativity — and Accountability — in Giving**

The Digest philanthropy is not merely a response to appeals for contributions. We work with institutions to create programs that will further our goals. For example, an annual grant to the Girls Clubs of America goes to the "Career Key" program, which selects competitively outstanding high school students from various regions of the country and offers them scholarship aid to advance their careers. We do the same with the Boys Clubs, in their annual "Boy of the Year" program, and with the YMCA in their "Youth Governor" project. For the Boy Scouts, we have supported a public-speaking program. With 4-H and Junior Achievement, other programs. All these projects are designed for precollege people to identify talent, nurture it and offer the young men and women who possess it opportunities to develop it to the fullest in college and in later life.

But also consider this: While we are helping talented young people, we are sending the message that *Reader's Digest* cares about youth and that it puts its money where its heart is. Selfishly, we enjoy the fact that these programs gain great publicity not only with the groups involved, but in the local, regional and national press as well.

But we base our decisions on more than just instinct, or on news clippings. We have a very careful and critical system of accountability. Let me cite one small example. Each year — in one of our more imaginative programs — we give small grants to about 60 colleges and universities, which are then given out to journalism students to help them to travel off campus to cover stories in their state capitol or some distant place. The grants to the students individually are often quite small, but the dividends are great. The students get to write about something more than the latest campus battle over tuition increases or teacher tenure. The Digest is credited in their stories as the source of their funding, and each year the head of

each journalism school receiving funds sends me a detailed report on just how the funds were spent and copies of the publications in which the students' stories appeared.

We insist on these reports on the actual use of funds. If they don't come through, we don't renew the grants. A few years ago we did not renew a grant for a famous and well-endowed journalism school here in the Northeast. When the dean called to ask where the money was, I replied by asking where his report was. I had it within a couple of days, and since then, it comes in right on time.

### **Top Management's Role**

Other programs are closely monitored by Digest top management. Digest executives serve on the boards of many nonprofit organizations, and this contributes to their well-being. For example, I've been on the board of the Institute of International Education for years. This year we worked with it to publish two much-needed reference works for American college students who want to study abroad. And, as a former chairman and present member of the Executive Committee of Outward Bound, I know the needs of this organization and how to help it.

Digest editors have accompanied distinguished blacks—professional writers, attorneys, business leaders, politicians and others—as they traveled to black colleges and talked with students there under our "Distinguished Lecturers" program.

We view all programs we support as investments, and we exercise as much care in supervising them as we would any investment. We don't mind asking the tough questions, and demanding careful and thorough answers. We know that we're not just giving money away; we're helping to advance the kind of society that we believe in.

### **Goals for Giving**

How much do we give to higher education? Some corporate giving programs aim at a certain percentage. As some of you know, during the 1960s, a group of Cleveland businessmen led by George Dively of Harris Intertype started the so-called "one percent plan," in which they pledged 1 percent of pretax net profits to support higher education. The plan spread through Ohio and has since been absorbed into CFAE. In our own case, more than 1 percent of the Digest's profits goes to higher education through the foundation's annual giving. And remember the Digest itself contributes the full 5 percent of its pretax profits.

We are a goal-oriented society—especially so in business. How much you give is important, but you must consider how effectively you give. Giving should have a goal. In our own philanthropic program we never lose sight of the fact that in giving, we are seeking to improve the quality of our businesses, the quality of our communities and the quality of our lives.

### "The Heat Is On"

What do we see in the future? An editorial in the trade magazine *Advertising Age* recently noted: "The better known corporate donors are besieged these days by antipoverty, university and cultural organizations that find their federal funding drying up. In a sense, the heat is on. Business is getting sympathetic treatment from Washington at a time when others are being squeezed, and President Reagan makes no secret of his belief that we can expect business to fill some of the void." The need for increased levels of giving is apparent. But increased giving — at least in the case of Reader's Digest and other 5 percent companies — depends on increased profits.

It is more important than ever that we see corporate philanthropy *not* as a way of fulfilling a "social responsibility," but as a management function helping to build a healthy economy and a healthy nation. Business has opportunities in the next decade to make its influence felt as never before. We, rather than government, are being asked to take on greater responsibility for supporting those institutions that enhance the quality of our lives. To take full advantage of these opportunities, we must expand our roles as philanthropists. We must also be involved in the organizations we support by serving on their boards and advisory councils. We must insist on accountability, and we must perform careful and wide-ranging research to find and support the organizations that we believe can play an important role in bettering society.

We must not respond just to the loudest and most persistent voices asking for our support. We must assess the tone of those voices, the content of what they are saying, and the harmony they will create when blended with our business goals. As we do, I'm sure we'll continue to find that grants to education will rank high on our list of priorities.

## Small Companies Have a Role, Too

by Sidney P. Mudd, *Chairman  
Westchester County Association, and  
President, Joyce Beverages Inc.*

As chairman of the Westchester County Association, I want to thank Jim Ferguson for hosting this important gathering. I want to thank, as well, the Council for Financial Aid to Education for its joint sponsorship in bringing together such a representative group of top corporate management in Westchester County and helping to arrange this very significant program.

We have been privileged to hear from some of the outstanding chief executives in the country how their companies are managing and structuring their responses to the current challenges and opportunities facing the business sector. These challenges are affecting the future of the nation's education and research resources and broadening the area of corporate social responsibility.

I am aware that most of us here today represent much smaller companies than IBM, General Foods, PepsiCo and the Reader's Digest. But we cannot leave all philanthropy to them. I am convinced that the dollar amounts are not as significant as objectives. What is important is that we, as chief executives or members of senior management, give philanthropy our personal attention as they have done, that we decide what is appropriate for our companies at the policy-making level. We cannot leave that determination to middle management, expecting them to deal with the increasing number of solicitations from worthy causes that hit us all as a result of the cutbacks in federal funds.

The corporate world, we know well, cannot totally fill that funding gap. But we need not be defensive about that. What we must do is move from reactive philanthropy to a carefully considered and budgeted investment in the future of those institutions and programs that we have identified as important — important to our business, our employees, our customers and to the communities in which we live and serve. With such a program, incidentally, it is much easier to say "no" to the "You're wealthy — we're worthy" type of solicitation which annoys us all.

### Other Ways to Help

There are many ways besides gifts in dollars in which we in business can support and help insure the future of the colleges and universities here in Westchester, as well as those across the country. To find out more about these ways, the Westchester County Association recently asked the business firms and colleges in this area for examples of their most effective programs of corporate-campus involvement and investment.

I would like to summarize some of the findings of that survey.

Besides various forms of financial aid, the most popular programs are employee tuition-reimbursement plans, on-site college courses and seminars, student-faculty internships and loaned executives on campus. Some companies make films and up-to-date equipment available for teaching and research purposes. Others sponsor work/study cooperative programs. And, of course, there are a number of top executives who serve as trustees or on advisory boards of local colleges. One corporation sponsored annual faculty forums with representatives from 20 universities and colleges to discuss such topics as environmental impact, government controls, economic planning, alternative energy resources and a corporation's responsibility to its public. Some of the programs mentioned qualify as business expenses, rather than contributions, but they all serve to promote the corporate-academic partnership.

Our cosponsor for this luncheon, the Council for Financial Aid to Education, consults annually with over 900 corporations to assist them in the effective development of their corporate educational support programs. It stands ready and eager to offer this reservoir of services and experience to any executive desirous of using it. To call upon the Council is to permit it to fulfill its mission.

And now with special gratitude to you and to our distinguished panelists, may I express the warm thanks of all of us to our host, Jim Ferguson.

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